Emerging Markets Monthly Highlights

Some Bright Spots, Tough Crosscurrents

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S&P Global
Ratings

This report does not constitute a rating action.

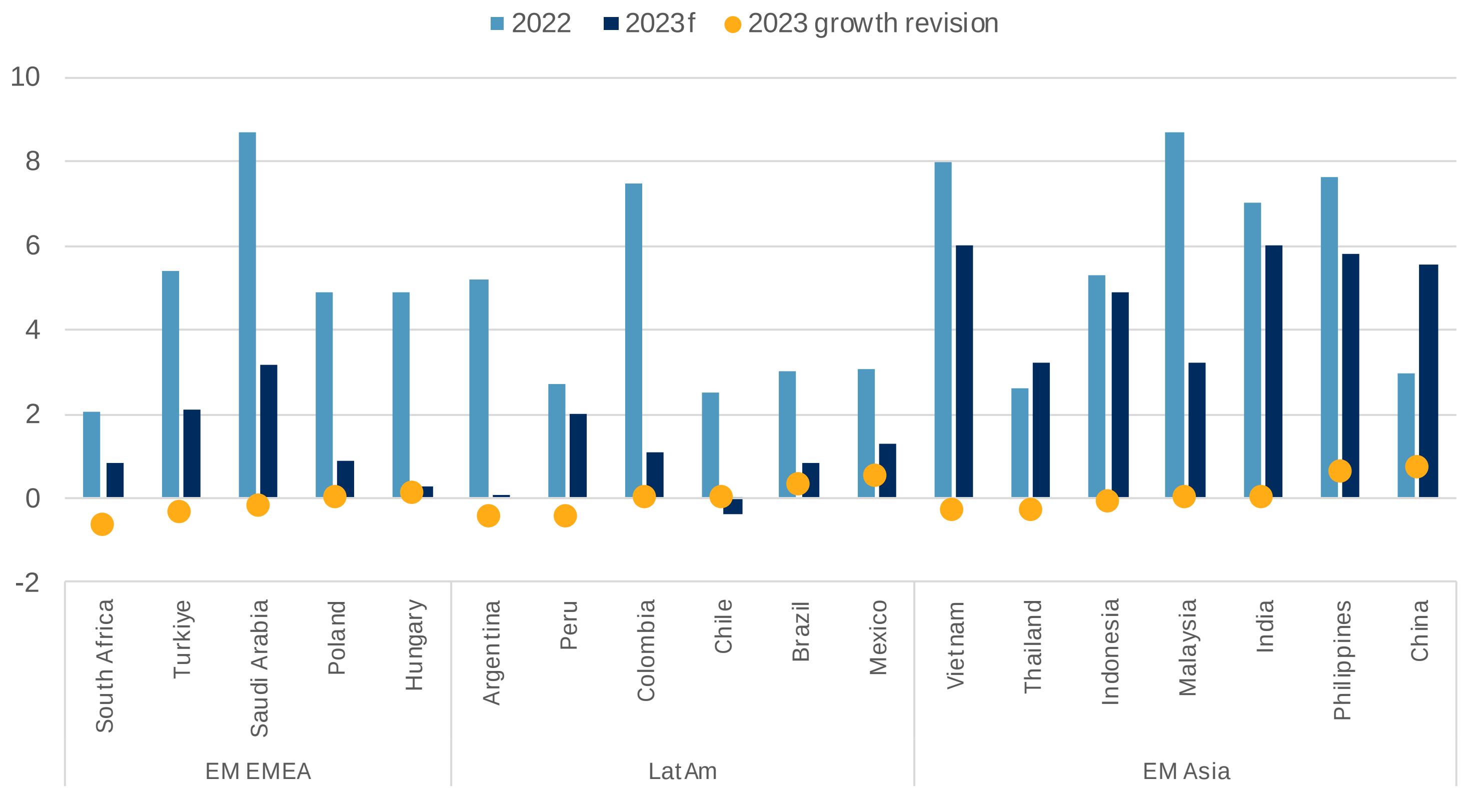
Contents

Key Takeaways

- We slightly upgraded our growth projections and now expect average growth across Emerging Markets (EMs) to reach 4.3% in 2023 (up from 4.0% in our November forecast), mostly given improved forecasts for China and large LatAm economies. Nevertheless, we expect EMs to grow in 2023 well below longer-term trends, with exception of India and some economies in EM Asia. We also raised our inflation forecast to 5.6% from 5.0% in our November assumption, although we expect inflation to decrease broadly across EMs in 2023.
- Not just core, but also food inflation remains sticky. Despite a significant moderation in international food prices, food inflation remains high across most EMs, particularly in EM EMEA. Stickier-than-expected food and core inflation remains a key risk for the near-term inflation outlook.
- Downgrades in March illustrate that EM issuers have not fully recovered from shocks stemming from the pandemic and the war in Ukraine. We expect that current conditions will likely be reflected in further weakening of credit quality across key EMs. However, contagion from the recent bank turmoil remains limited across EMs, although the confidence shock is unwelcome.
- Recent and widely discussed shifts in supply chains carry opportunities for some EMs. The benefits of nearshoring (shifting production to geographically closer countries) for Mexico and several Central and Eastern European (CEE) economies could be substantial; however, some obstacles are present.

EM Economic Outlook | Global Crosscurrents Make For A Bumpy Deceleration

GDP growth in key EMs (%)



Source: S&P Global Ratings.

- We expect real GDP growth to slow sharply this year in most EMs (with China being a notable exception). We revised up our forecast for China's GDP growth for this year by 70 basis points (bps) to 5.5% thanks to the improved operating conditions in the real estate sector and the rapid easing of COVID-19 policies. However, we don't believe China's reopening will be enough to offset falling external demand from slower growth in the U.S. and Europe.
- We expect inflation to decline further in the coming months given sharp base effects. We forecast annual average CPI inflation for a median EM to reach 5.6% this year, with EM Asia (excluding the Philippines) and South Africa within their respective central bank target ranges in 2023, while other EMs (excluding Turkiye and Argentina) returning to their central bank target ranges by the end of 2024 (see "Economic Outlook Emerging Markets Q2 2023: Global Crosscurrents Make For A Bumpy Deceleration" published March 27).

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EM Credit Conditions | Enduring Risks

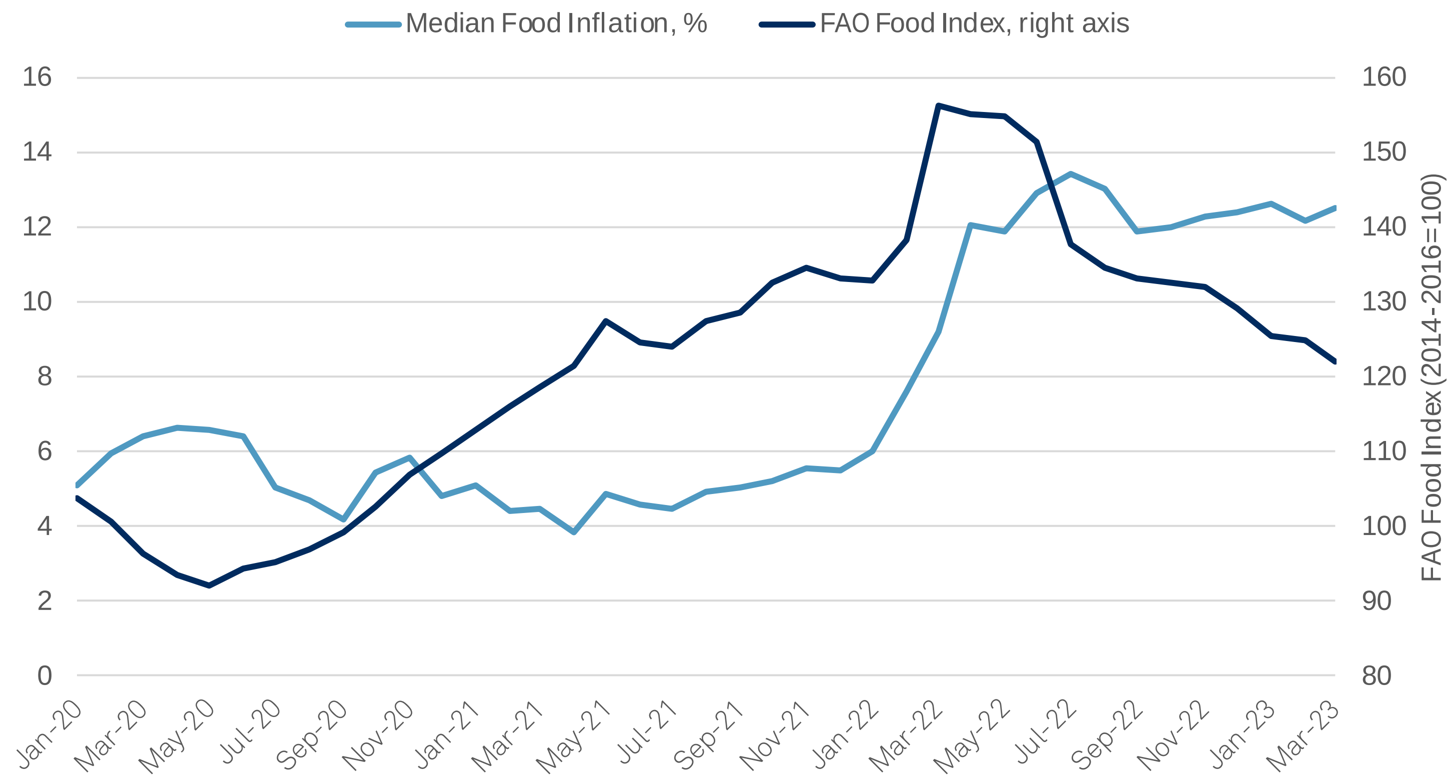
Top EM risks	Risk level*	Risk trend**
Financing conditions progressively tighten as rates stay higher for longer.	High	Worsening
Stubborn inflation and rising labor costs squeeze corporate margins.	High	Worsening
A sharper-than-expected downturn in advanced economies weighs on global trade.	High	Unchanged
Increasing geopolitical tensions and difficult domestic socio-political conditions erode credit fundamentals.	High	Unchanged
China's recovery: Slower-than-expected growth momentum, and tighter financing risk.	High	Improving
Secular risks		
Climate change and rising adaptation costs.	Elevated	Worsening

*Risk levels may be classified as moderate, elevated, high, or very high, are evaluated by considering both the likelihood and systemic impact of such an event occurring over the next one to two years. Typically, these risks are not factored into our base case rating assumptions unless the risk level is very high. **Risk trend reflects our current view on whether the risk level could increase or decrease over the next twelve-months. Source: S&P Global Ratings.*

- Credit conditions in EMs will remain under pressure through 2023, despite some positive factors. Slower economic activity, along with stubborn inflation and rising financing costs, will undermine corporates' and households' payment capacity.
- The balance of risks for EMs remains on the downside. Despite recent financial stability issues, we expect the U.S. Federal Reserve Bank (the Fed) will remain focused on curbing inflation, which will likely be reflected in tighter financing conditions in 2023.
- Current conditions will likely be reflected in further weakening of credit quality across key EMs (see "Credit Conditions Emerging Markets Q2 2023: Enduring Risks", published March 27).

Food Inflation | It Is Not Over Until It Is Over

Median food inflation across key EM economies (%)

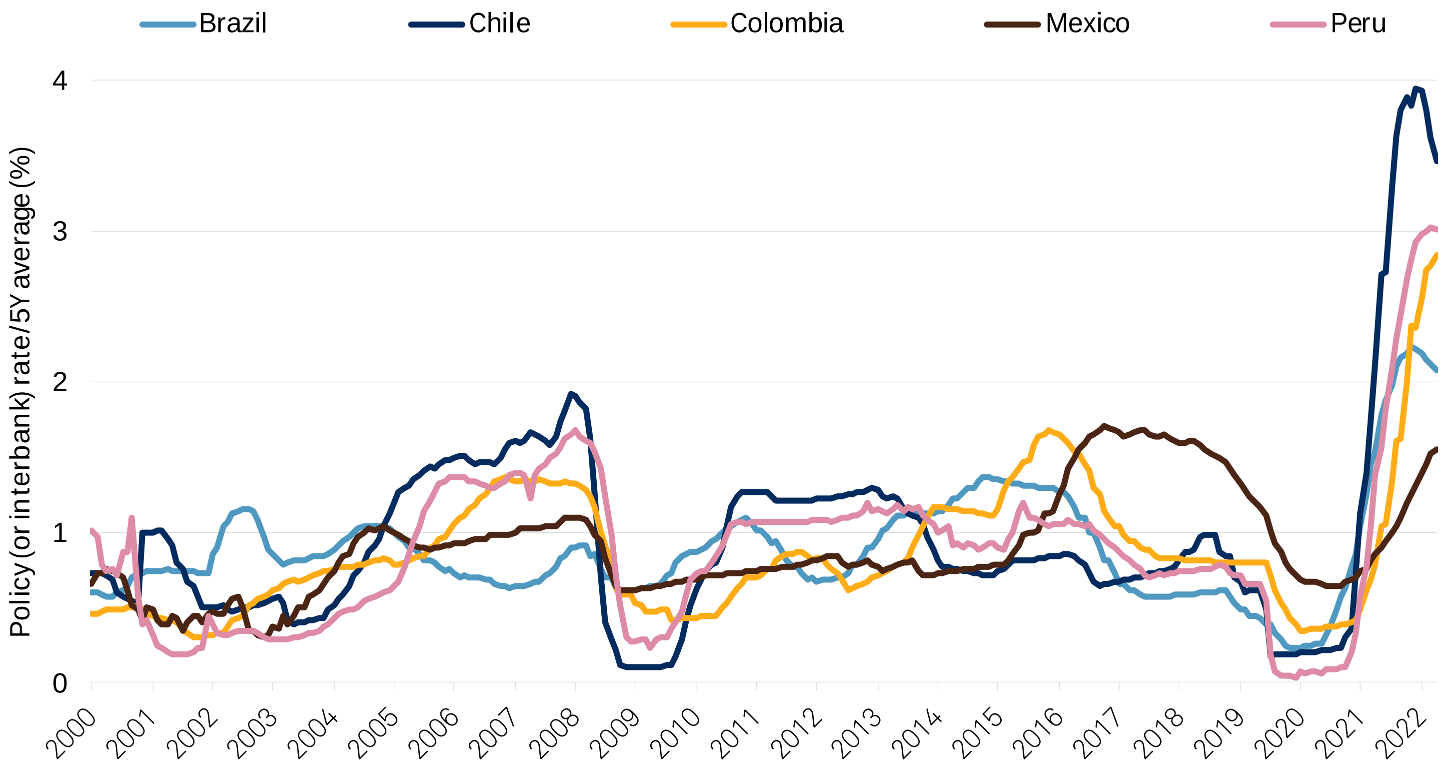


Note: Based on our sample of key 18 EM economies. Sources: FAO, Refinitiv, and S&P Global Ratings.

- While energy inflation is decreasing broadly across EMs, food inflation remains sticky. Despite some moderation in global food prices, annual food inflation remain higher than pre-2022 values. That reflects prior pass-through effects from weaker exchange rates (as many EMs are net food importers) and elevated energy prices. In some EM EMEA economies, particularly in South Africa, food inflation continues to increase, while it is broadly decreasing in LatAm.
- Oil prices have recently picked up. After recent decision by OPEC+ economies to cut their oil production, Brent oil prices have surged to around $85 per barrel. We expect that increasing oil prices will intensify pressure on current accounts of oil-importing economies. Out of our sample of key EM economies, around two-thirds are net energy importers.

LatAm | Credit Stress Looms As Financing Costs Surge

Unprecedented tightening

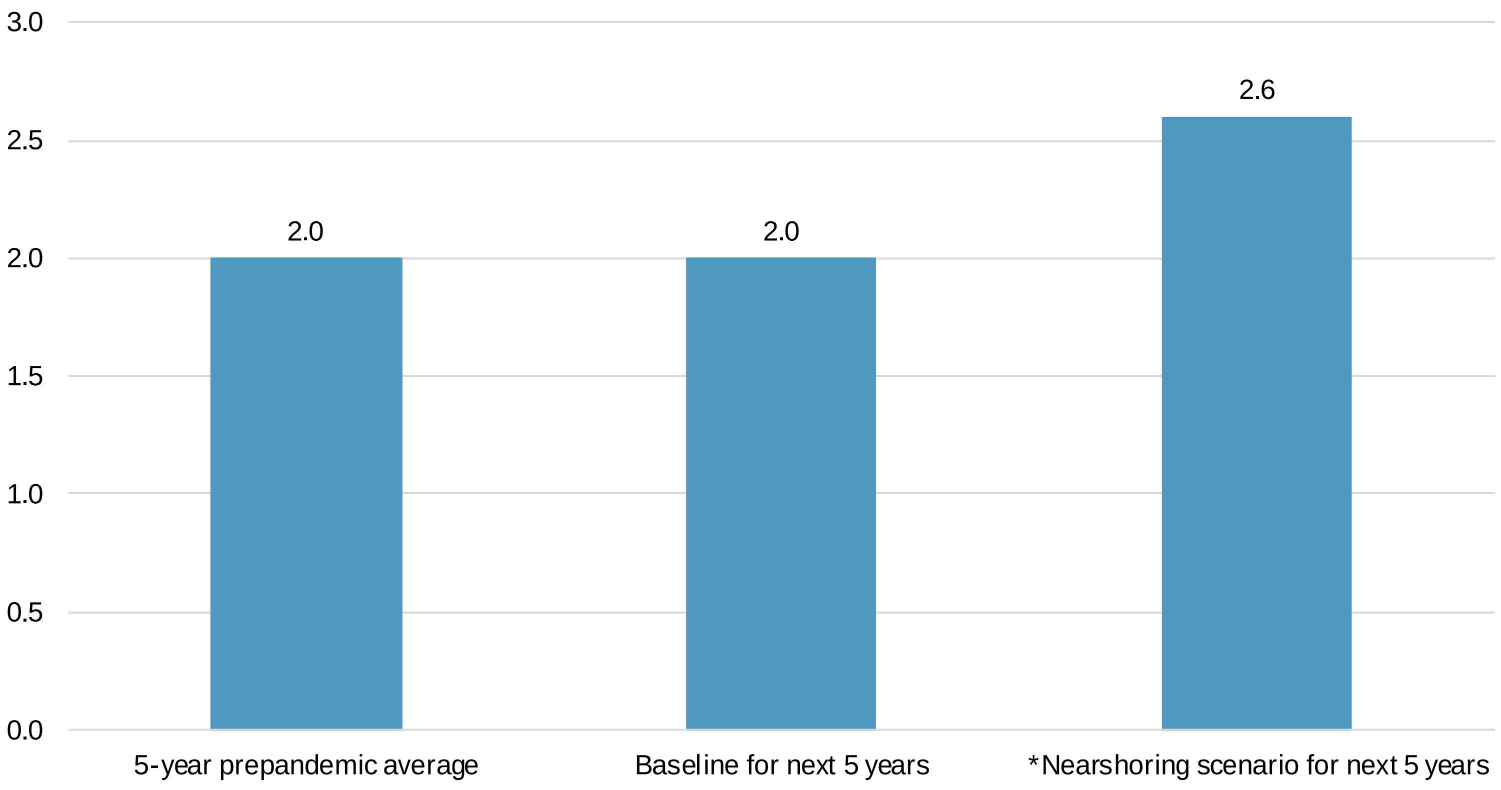


- LatAm corporations could see significant credit stress by the end of 2024. Our analysis shows that nonfinancial entities in LatAm countries are undergoing the most severe tightening of financial conditions seen in recent history, raising concerns about default rates and banks' asset quality.
- We believe that credit stress could surface quicker in Brazil. Corporate defaults may pick up in Brazil before other countries because of the significant share of floating interest-rate debt on corporate balance sheets and the rapidly rising interest burden stemming from it (see "Credit Stress Looms In Latin America As Financing Costs Surge" published March 22).

Sources: Connect by S&P Global, Banco Central De Reserva Del Perú, Banco de México, Banco Central Do Brasil, Banco de la Republica (Colombia), Banco Central de Chile, and S&P Global Ratings.

Nearshoring| Potentially Significant Benefits And Obstacles

Mexico's real GDP growth (%)



*Note: *The nearshoring scenario refers to one in which of 1% of manufacturing production in China shifts to Mexico gradually over five years. Five-year pre-pandemic average is 2015-2019. Sources: Haver Analytics and S&P Global Ratings.*

- The benefits of nearshoring for Mexico could be substantial, but so are the obstacles, including inadequate supply of water and energy, and security-related concerns (see "For Mexico, Nearshoring's Potential Benefits And Obstacles Are Significant" published April 4).
- In a hypothetical scenario in which 1% of total manufacturing output from China is shifted to Mexico gradually over the next five years, we estimate annual real GDP growth for Mexico would average 2.6%, compared with our 2.0% baseline.
- The CEE region may also benefit from nearshoring. Industrialized CEE economies, especially Hungary, may benefit from increased foreign direct investment into automotive production, particularly electric vehicle and electric battery production.

Regional Economic Highlights

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EM Asia Economics | Manufacturing Activity Improving

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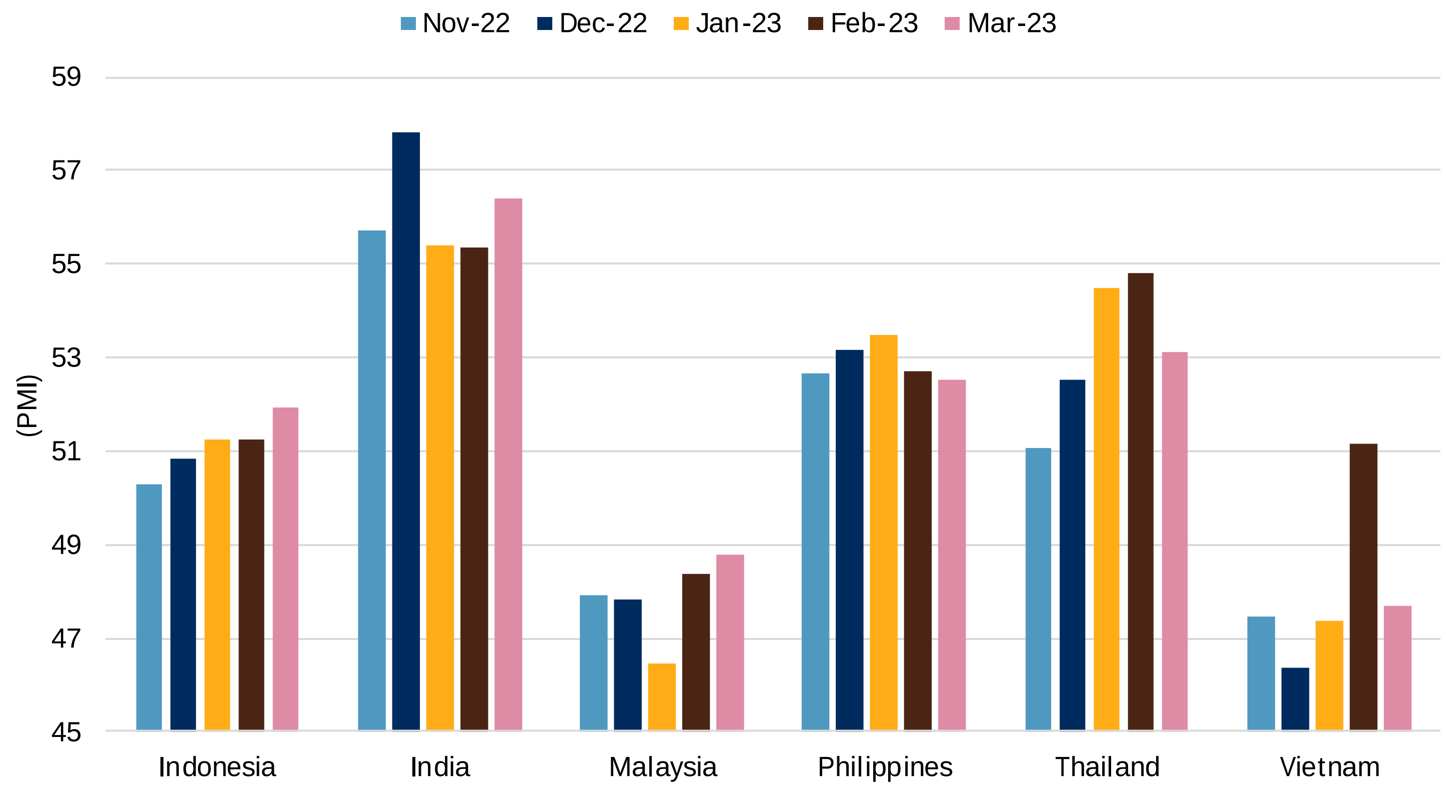
Manufacturing activity stabilizing after weakening in late 2022



Source: S&P Global.

- Momentum in manufacturing activity is rising in EM Asia, particularly in Indonesia, Thailand, and Malaysia. Thailand has been reporting noticeably stronger manufacturing readings.
- Manufacturing output growth remains steady in the Philippines and India, given strong PMI readings.
- International trade data also reflects improved manufacturing landscape, where exports and imports have steadied since December 2022 after declining in Q4 2022.

EM EMEA Economics | High-Frequency Indicators Point To Improvement

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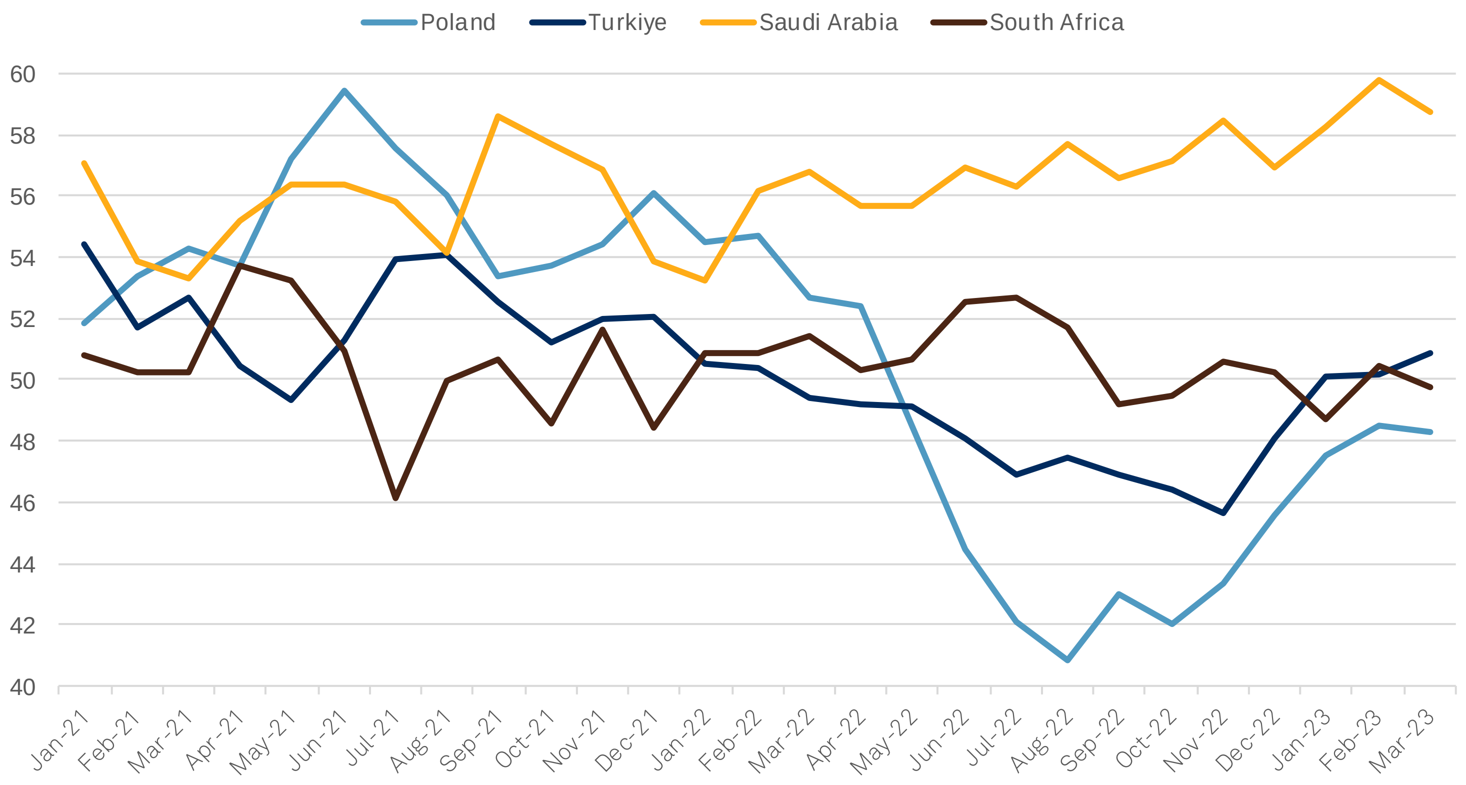
Purchasing manager indices (PMIs)



Sources: PMI by S&P Global and S&P Global Ratings.

- In line with our expectations, GDP growth has fallen across most EM EMEA economies in late 2022, both due to declining external demand and a drag on domestic consumption. Turkiye is a notable exception however.
- Nevertheless, high-frequency indicators indicate that the worst may be over for some EM EMEA economies. PMIs have been steadily increasing since November, while high-frequency indicators from retail trade and manufacturing point to some recovery in February.
- Headline inflation has peaked across EM EMEA economies, and we expect real income growth to gradually turn positive across all economies in 2023. However, speed of the process is subject to risks due to sticky core and food inflation, and for CEE economies, exceptionally tight labor markets.

LatAm Economics | Mixed Start Of The Year For Consumption

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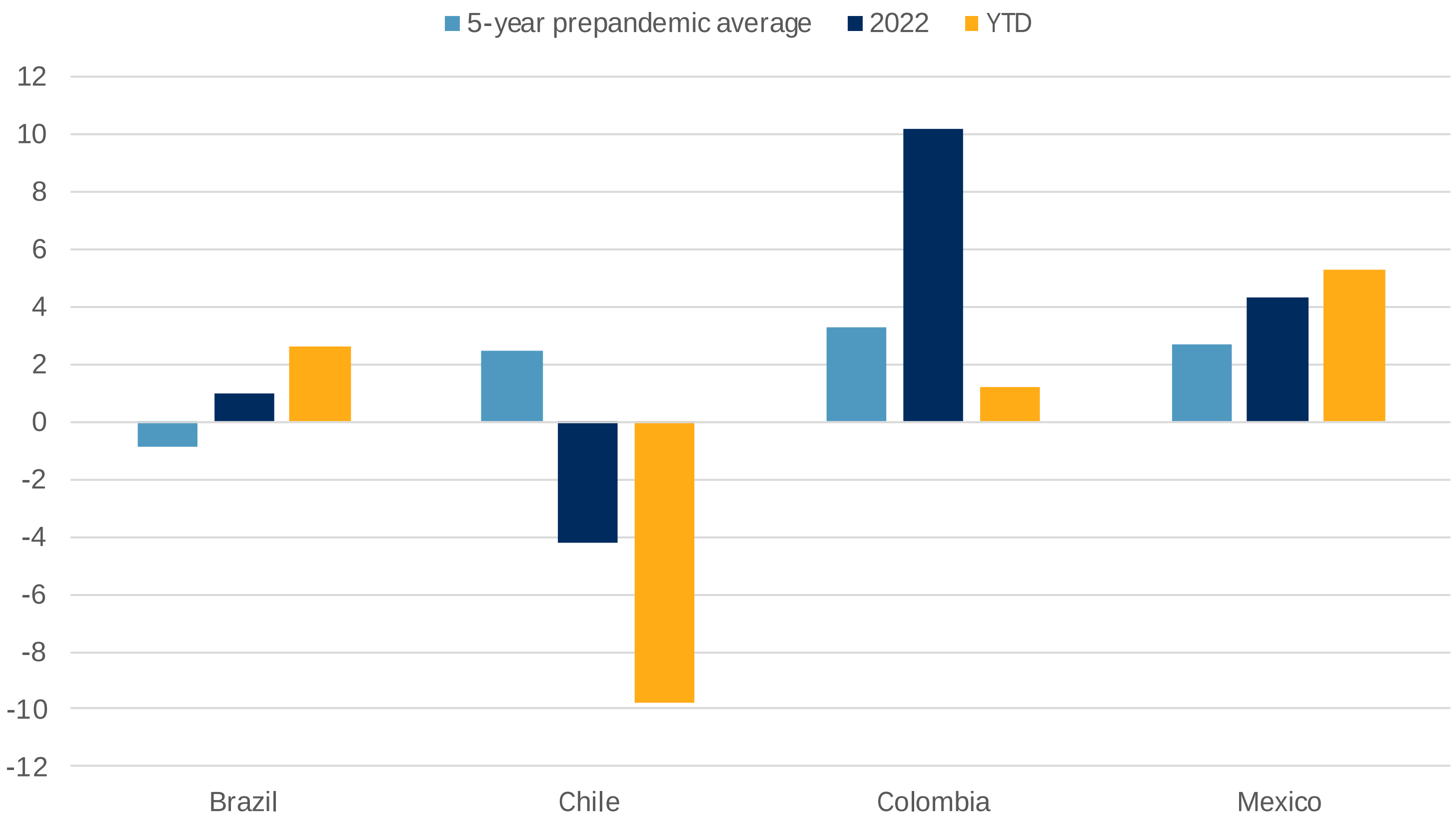
Median inflation (% year-over-year)



Note: Year to date is January for Brazil, Colombia, and Mexico; and January and February for Chile. Source: Haver Analytics.

- We see slower consumption across most of the region this year, driven by persistently high inflation and higher cost of credit following the recent increase in benchmark interest rates. Furthermore, the recovery in employment from the pandemic is losing steam. Data suggests that consumption is weakening noticeably in Chile and Colombia so far this year (see chart), while it's holding up relatively well in Mexico.
- We forecast real GDP growth in the region to slow to 0.9% this year from 3.6% last year, in part driven by slower consumption growth.
- We expect most central banks in the region to start reducing interest rates in 2024, except for Chile and Brazil, which we forecast cutting rates in the second half of this year.

S&P Global Ratings

Macro-Credit Dashboards

GDP Summary | We Expect Below-Average Growth For Most EMs In 2023

Country	Latest Reading (y/y)	Period	5Y Avg	2020	2021	2022	2023f	2024f	2025f	2026f
Argentina	1.9	Q4	-0.2	-9.9	10.4	5.2	0.0	1.7	1.8	2.1
Brazil	1.9	Q4	-0.5	-3.6	5.3	3.0	0.8	1.7	2.0	2.0
Chile	-2.3	Q4	2.0	-6.2	11.9	2.5	-0.4	2.6	2.8	2.8
Colombia	2.9	Q4	2.4	-7.3	11.0	7.5	1.1	2.6	3.0	3.0
Mexico	3.6	Q4	2.0	-8.2	4.9	3.1	1.3	1.7	2.1	2.1
Peru	1.7	Q4	3.2	-11.1	13.8	2.7	2.0	2.8	2.9	3.0
China	4.5	Q1	6.7	2.2	8.5	3.0	5.5	5.0	4.7	4.5
India	4.4	Q4	6.9	-5.8	9.1	7.0	6.0	6.9	6.9	7.1
Indonesia	5.0	Q4	5.0	-2.1	3.7	5.3	4.9	5.0	5.1	5.1
Malaysia	7.0	Q4	4.9	-5.5	3.1	8.7	3.2	4.7	4.5	4.3
Vietnam	3.3	Q1	7.1	2.9	2.6	8.0	6.0	6.9	6.7	6.6
Philippines	7.1	Q4	6.6	-9.5	5.7	7.6	5.8	5.8	6.5	6.4
Thailand	1.4	Q4	3.4	-6.1	1.5	2.6	3.2	3.5	3.3	3.2
Poland	0.6	Q4	4.4	-2.0	6.7	4.9	0.9	3.4	2.8	2.8
Saudi Arabia	5.5	Q4	1.6	-4.1	3.2	8.7	3.2	2.6	2.5	2.0
South Africa	0.9	Q4	1.0	-6.3	4.9	2.0	0.8	2.1	1.7	2.2
Turkiye	3.5	Q4	4.2	1.8	11.6	5.4	2.1	2.8	3.4	3.2
Hungary	0.4	Q4	4.1	-4.8	7.1	4.9	0.3	3.2	2.9	2.9

Note: Red means GDP growth is below five-year average (2015-2019). Blue means the opposite. F—Forecast. Sources: Haver Analytics and S&P Global Ratings.

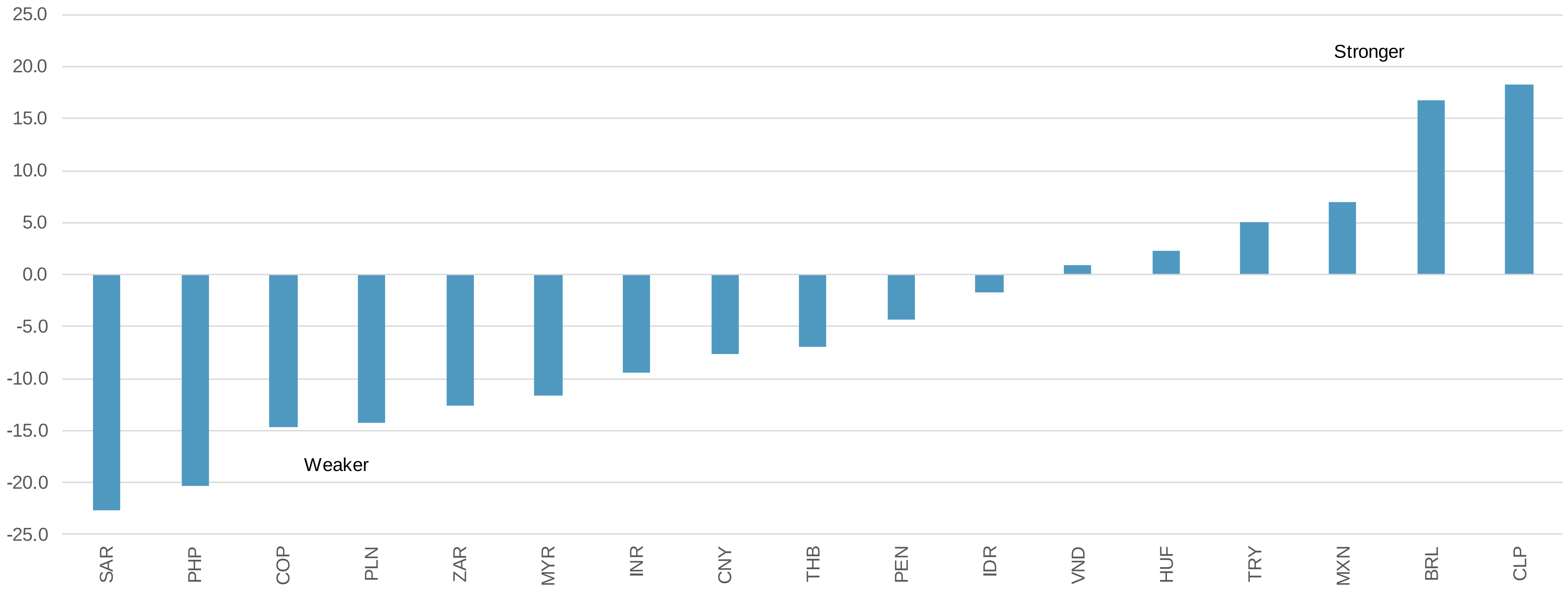
Monetary Policy/FX | Most EM Currencies Strengthened Last Month

Country	Policy Rate	Inflation Target	Latest Inflation Reading	Latest Rate Decision	Next Meeting	Mar. Exchange Rate Chg.	YTD Exchange Rate Chg.
Argentina	78.00%	No Target	104.3%	Hold	N/A	-5.7%	-15.2%
Brazil	13.75%	3.5% +/-1.5%	4.7%	Hold	May. 03	2.5%	2.7%
Chile	11.25%	3% +/-1%	11.1%	Hold	May. 12	5.3%	8.4%
Colombia	13.00%	3% +/-1%	13.3%	25 bps hike	Apr. 28	3.9%	4.0%
Mexico	11.25%	3% +/-1%	6.8%	25 bps hike	May. 18	1.5%	7.9%
Peru	7.75%	2% +/-1%	8.4%	Hold	May. 11	1.2%	1.4%
China	2.00%	3%	0.8%	N/A	N/A	1.2%	1.4%
India	6.50%	4% +/-2%	5.7%	Hold	Jun. 08	0.6%	0.7%
Indonesia	5.75%	3.5% +/-1%	5.0%	Hold	Mar. 18	1.7%	3.8%
Malaysia	2.75%	No Target	3.7%	Hold	May. 03	1.7%	-0.2%
Philippines	6.25%	3% +/-1%	7.6%	25 bps hike	May. 18	1.8%	2.5%
Thailand	1.75%	2.5%+/-1.5%	2.8%	25 bps hike	May. 31	3.4%	1.3%
Vietnam	6.00%	4%	3.4%	100 bps hike	N/A	1.3%	0.5%
Poland	6.75%	2.5% +/-1%	16.6%	Hold	May. 10	3.0%	1.8%
Saudi Arabia	5.50%	3% +/-1%	2.7%	25 bps hike	N/A	0.0%	0.1%
South Africa	7.75%	3%-6%	7.3%	50 bps hike	May. 25	3.5%	-4.1%
Turkiye	8.50%	5% +/-2%	50.5%	Hold	Apr. 27	-1.6%	-2.5%
Hungary	13.00%	4%	25.2%	Hold	Apr. 25	2.0%	7.2%

Note: Red means inflation is above the target range, policy is tightening, and exchange rate is weakening. Blue means the opposite. A positive number for the exchange-rate change means appreciation. Argentina's central bank no longer targets inflation, nor does it set the policy rate directly (it is set based on monetary aggregates targeting). For China, we use the PBOC's seven-day reverse repo. Sources: Haver Analytics and S&P Global Ratings.

Real Effective Exchange Rates | LatAm Currencies Outperforming This Year

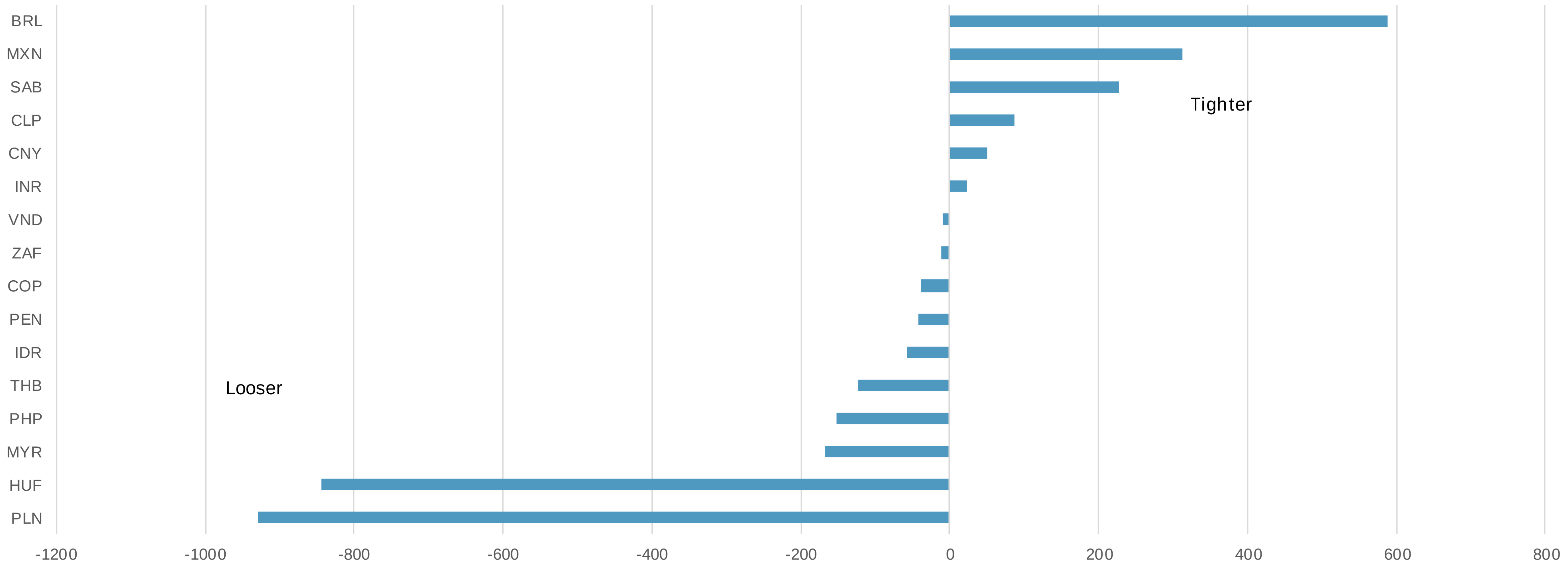
Broad real effective exchange rates (% change from 10-year average)



Note: Data is computed on 10 years of the monthly average data of the J.P. Morgan Real Broad Effective Exchange Rate Index (PPI-deflated). Data as of March 31, 2023. Sources: S&P Global Ratings, Haver Analytics, and J.P. Morgan.

Real Interest Rates | Real Rates The Most Restrictive In Brazil And Mexico

Deviation in current real benchmark interest rates from 10-year average (bps)



Note: Real interest rates are deflated by CPI. In the cases where we didn't have 10 years of history, we used all the available data to calculate the average. We exclude Argentina. For China, we use the seven-day reverse repo rate. Data as of March 31, 2023. Sources: Haver Analytics and S&P Global Ratings.

EM Heat Map

S&P Global
Ratings

		Chile	Saudi Arabia	Poland	Peru	Malaysia	Mexico	China	Philippines	Indonesia	Thailand	India	Colombia	Brazil	South Africa	Vietnam	Turkiye	Argentina
	FC Sovereign Rating	A	A	A-	BBB	A-	BBB	A+	BBB+	BBB	BBB+	BBB-	BB+	BB-	BB-	BB+	B	CCC-
	Sovereign Outlook	Stable	Stable	Stable	Negative	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Negative	Negative
Sovereigns	Institutional	2	4	4	4	3	3	3	4	3	4	3	3	4	4	4	5	6
	Economic	4	3	3	4	3	5	3	4	4	4	4	4	5	5	4	4	5
	External	4	1	2	3	2	2	1	1	3	1	1	5	2	2	3	6	6
	Fiscal (BDGT)	3	1	4	2	4	3	4	3	3	3	6	4	6	6	4	5	6
	Fiscal (DBT)	2	1	2	3	5	4	2	4	4	3	6	4	6	6	4	5	5
	Monetary	2	4	2	3	2	3	3	3	3	2	3	3	3	2	4	5	6
Financial institutions BICRA	Economic Risk	4	5	4	6	5	6	7	6	6	7	7	7	7	7	9	9	10
	Industry Risk	3	3	5	3	4	3	5	5	6	6	5	5	5	5	8	9	7
	Institutional Framework	I	I	I	L	I	I	H	H	H	VH	H	H	I	I	EH	VH	H
	Derived Anchor	bbb+	bbb	bbb	bbb-	bbb	bbb-	bb+	bbb-	bb+	bb	bb+	bb+	bb+	bb+	b+	b+	b+
	Eco. Risk Trend	Negative	Stable	Stable	Negative	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Negative	Stable
	Eco. Imbalances	L	I	L	VL	L	I	H	L	L	H	I	H	I	I	H	VH	H
	Credit Risk	I	I	I	VH	H	I	VH	H	VH	VH	VH	H	H	H	EH	VH	EH
	Competitive Dynamics	L	I	VH	I	H	I	H	I	H	H	H	I	H	I	VH	VH	H
	Funding	L	L	L	I	L	L	VL	I	I	L	L	I	I	H	I	VH	VH
Nonfinancial corporates	Median Rating (Mar.31, 2023)	BBB	A-	BB	BB+	BBB+	BBB-	BBB+	BBB	BB-	BBB	BBB-	BB+	BB-	BB-	BB-	B	CCC-
	Net Debt / EBITDA	2.99	3.10	1.52	2.15	2.03	2.80	3.11	3.34	2.49	2.73	2.40	2.06	2.01	2.01	2.75	1.90	1.43
	ROC Adj.§	-8.3	0.00	-10.3	-2.1	-1.6	-2.8	-0.3	-3.00	-1.2	-4.3	-2.3	-2.4	-3.8	-1.2	-0.1	-38.1	-39.8
	EBITDA INT. COV.	7.11	9.64	11.14	8.53	13.15	4.70	7.23	7.53	5.93	12.01	6.27	6.27	3.36	6.85	6.63	4.54	3.61
	FFO / Debt	29.35	24.50	44.31	39.30	28.88	36.21	16.36	25.16	34.14	28.87	35.22	41.70	51.98	46.12	29.24	43.75	47.64
	NFC FC Debt % GDP*	34.6	12.9	13.8		14.4	17.1	5.4	6.2t	8.8	8.6	7.5	12.4	17.1	13.9		36.2	6.8
	NFC Debt % of GDP*	103.4	63.8	43.2		70.6	23.7	154.8	32.6	25.5	54.9	54.5	32	55.1	33.3		73	17.8

Sovereign--Each of the factors is assessed on a continuum spanning from '1' (strongest) to '6' (weakest). Based on "Sovereign Rating Methodology." Dec. 18, 2017.

Financial Institutions BICRA--The overall assessment of economic risk and industry risk, which ultimately leads to the classification of banking systems into BICRA groups, is determined by the number of "points" assigned to each risk score on the six-grade scale. The points range from '1' to '10', with one point corresponding to "very low risk" and '10' points corresponding "extremely high risk," based on "Banking Industry Country Risk Assessment Methodology and Assumptions," Dec. 9, 2021, and "Financial Institutions Rating Methodology," Dec. 9, 2021. VL--Very low. L--Low. I--Intermediate. H--High. VH--Very high. EH--Extremely high.

Nonfinancial Corporates--Ratios are derived from the median of rated corporates in their respective countries. We then rank them according to our "Corporate Methodology," Nov. 19, 2013, by using table 17, with levels that go from minimal to highly leveraged. §We assess return on capital by using the median of our rated corporates in their respective countries, then we adjust for inflation, we then rank it based on our "Corporate Methodology," Nov. 19, 2013. *Nonfinancial corporates' debt and foreign currency denominated debt is based on IIF global debt monitor with data as of March 2022.

*IIF 1Q 2022. Sources: Bangko Sental NG Pilipinas; Corporate Variables Capital IQ 1Q 2022. S&P Global Ratings. Data for Sovereigns and Financial Institutions as of April 17, 2023.

Financing Conditions
Highlights

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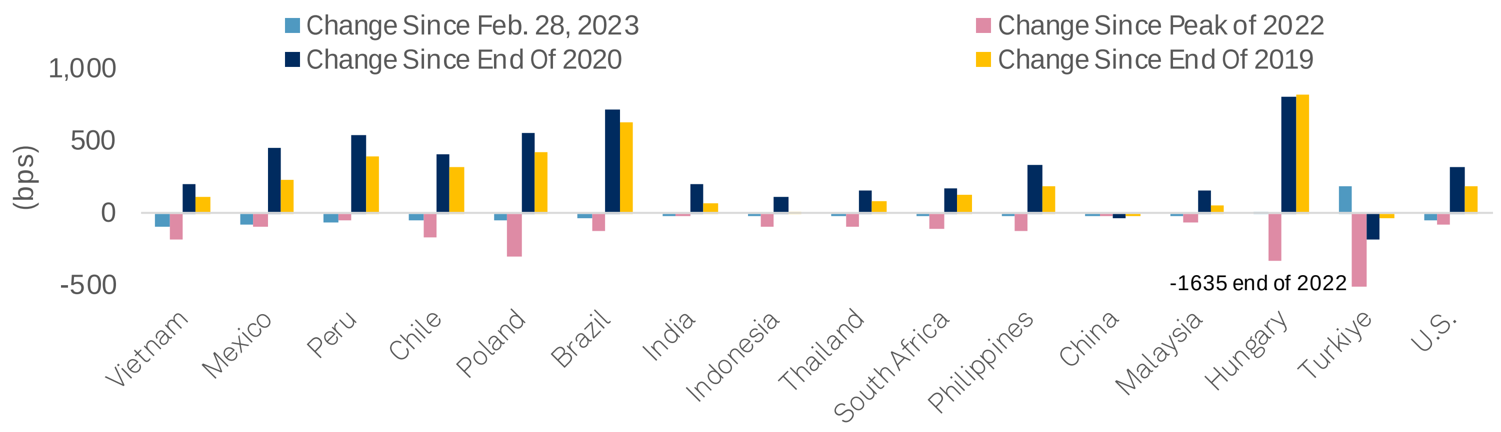
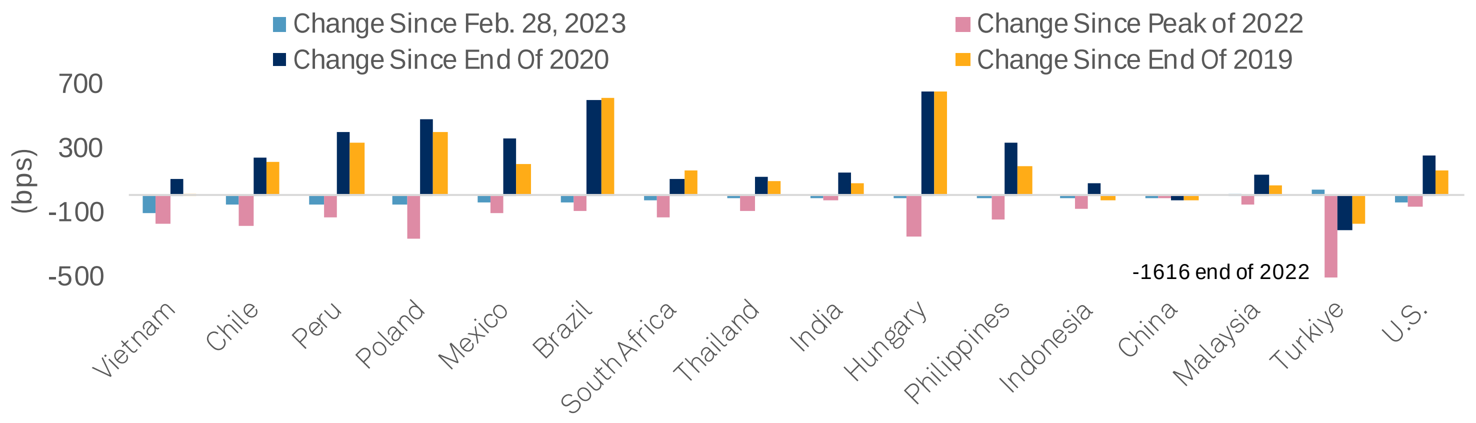
EM Yields | Benchmark Yields Slightly Down In March

Change in local currency 5-year government bond yield vs. U.S. 5-year T-note yield



Change in local currency 10-year government bond yield vs. U.S. 10-year T-note yield

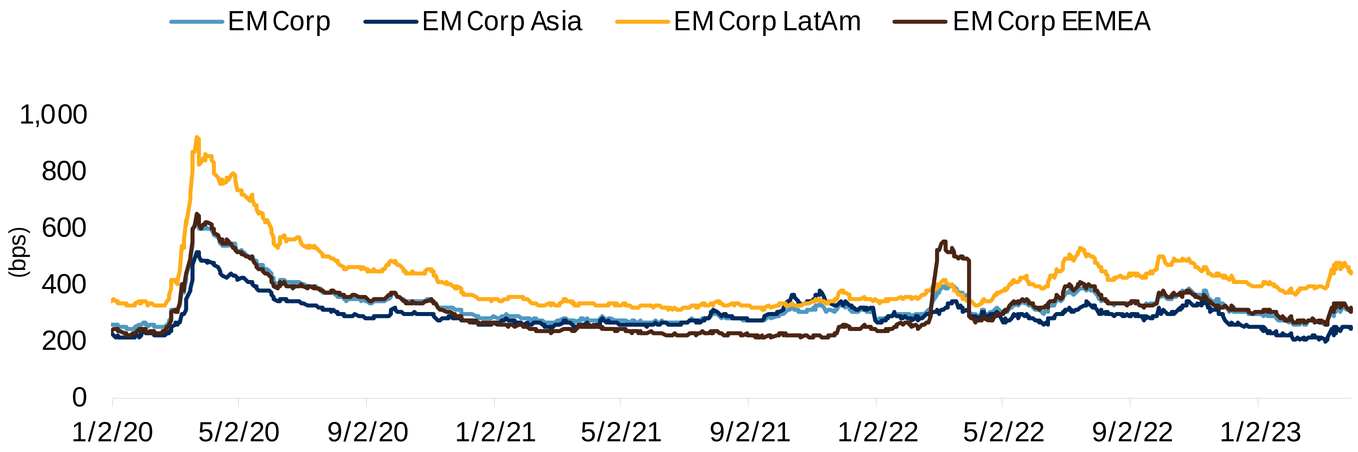


Data as of March 31, 2023. The selection of country is subject to data availability. Sources: S&P Global Ratings Credit Research & Insights, S&P Capital IQ Pro, and Datastream.

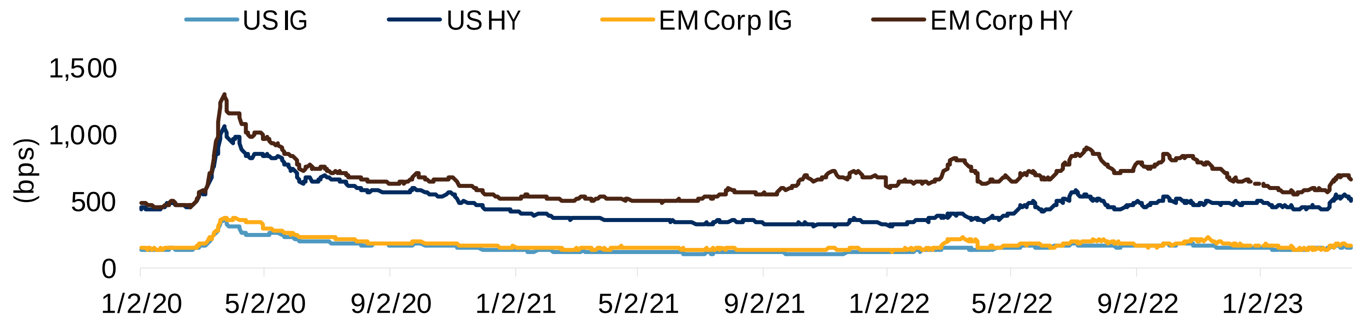
- EM 10-year benchmark yields generally eased in March across regions, with the recent banking turmoil not resulting in greater volatility. Nonetheless, yields are still higher than pre-crisis levels and, given stickier-than-expected inflation, are likely to stay higher for longer.
- **Vietnam's yields diminished by 106 bps** monthly following the unexpected interest-rate cuts by the State Bank of Vietnam in order to support growth and the banking sector's liquidity following its assessment of controlled inflation and lower domestic currency volatility.
- Benchmark yields show divergence across EM regions, with LatAm and EM EMEA on average 380 bps higher than at the end of 2019, while EM Asia only 100 bps higher and China 35 bps lower: financing conditions are tighter especially where the inflation fight is not over.

EM Credit Spreads| Risk Premia Climbed

EM spreads by region



U.S. and EM spreads



– EM corporate spreads rose in March due to defaults in LatAm, as well as liquidity and refinancing concerns across EMs, as inflation is biting into corporate margins.

– EM credit spreads widened relative to the U.S. regardless of credit quality, after months of narrowing the gap. Credit spreads increased monthly at a steeper rate for high-yield corporations (55 bps in the U.S. and 77 bps in EMs) than for investment-grade ones (4 bps in the U.S. and 29 bps in EMs).

– Access to external markets remains very limited for high-yield issuers. Cemex S.A.B. de C.V. (Mexico) was the sole high-yield issuer in March.

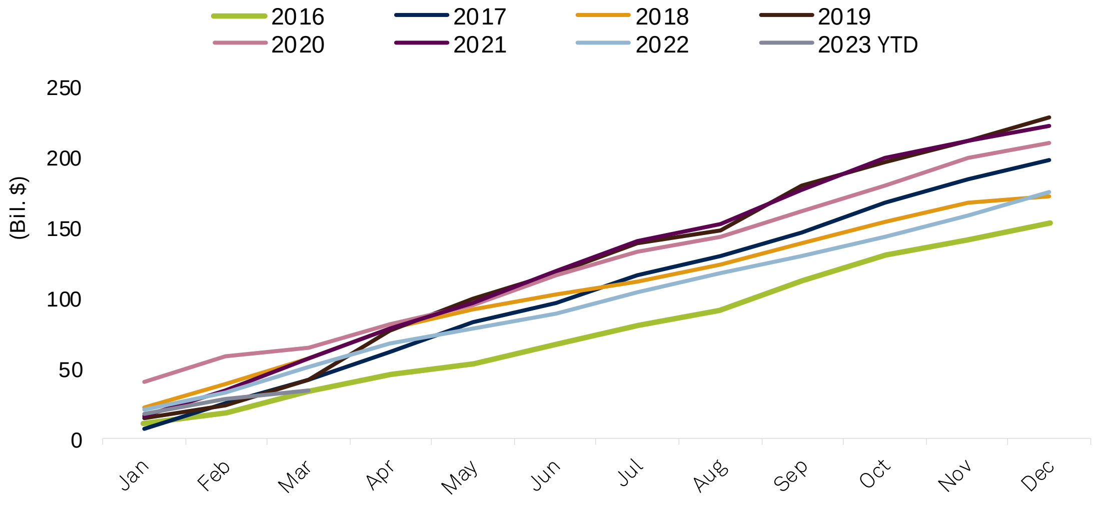
– In the short run, spreads may remain volatile, given high macroeconomic uncertainty, geopolitical risks such as the Russia-Ukraine conflict, U.S.-China tensions, and the recent banking sector turmoil.

Data as of March 31, 2023. HY – high yield; IG – investment grade. Sources: S&P Global Ratings Credit Research & Insights, Refinitiv, ICE Data Indices, and Federal Reserve Bank of St. Louis.

EM | Financial And Non-Financial Corporate Issuance

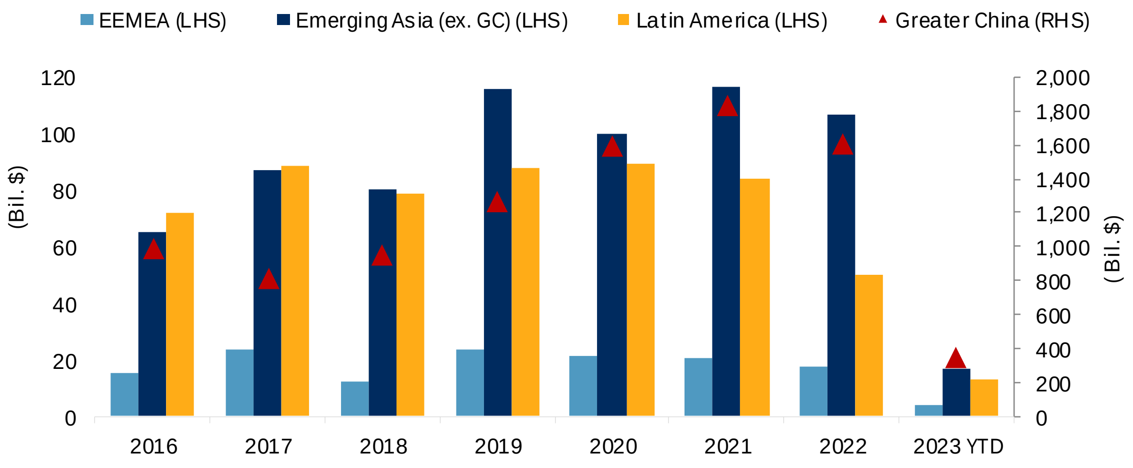
- EM issuance volumes picked up in March, exclusively related to Greater China, with $180 billion (up 86% monthly) issued, mostly from the financial sector (60% of the monthly figure), with Agricultural Bank of China Ltd. ($10 billion) and Bank of China Ltd. ($9 billion) as the most active.
- Issuances outside of China halved in March to $6 billion, which is the lowest monthly record since December 2018. This underscores tight financial conditions, with low investor appetite and issuers reluctant to go to the market unless forced by stringent refinancing concerns. With respect to year-to-date historical records, besides lower volumes across EM Asia, issuance has been subdued in Brazil and Peru in LatAm, and Saudi Arabia and Turkiye in EM EMEA.
- Markets uncertainty and the possible rise in risk premia could further increase refinancing and liquidity risks in the following months.

EM (excluding Greater China) cumulative corporate bond issuance



Data as of March 31, 2023. Data including not rated (NR). Sources: S&P Global Ratings Credit Research & Insights and Refinitiv.

EM regional bond issuance



Data as of March 31, 2023. GC- Greater China. Sources: S&P Global Ratings Credit Research & Insights and Refinitiv.

S&P Global Ratings

Ratings
Summary

S&P Global
Ratings

Ratings Summary | Sovereign Ratings In EM18

– On March 31, 2023, S&P Global Ratings revised its outlook on Turkiye to negative from stable, reflecting risks to its creditworthiness from what we consider untenable monetary, financial, and economic policy settings.

– On March 29, 2023, we lowered our long-term foreign currency sovereign credit rating on Argentina to 'CCC-' from 'CCC+' and outlook negative on heightened vulnerability.

– On March 17, 2023, we raised our unsolicited long- and short-term foreign and local currency sovereign credit ratings on Saudi Arabia to 'A/A-1' from 'A-/A-2' on significant reform momentum and economic growth prospects.

– On March 8, 2023, we revised our outlook on South Africa to stable from positive and affirmed our 'BB-/B' long- and short-term foreign currency, along with our 'BB/B' long- and short-term local currency sovereign credit ratings, as infrastructure constraints weigh on growth.

Economy	Rating	Outlook	5 Year CDS spread (March 31)	5 Year CDS spread (Feb. 28)
Argentina	CCC-	Negative	3,908	3,618
Brazil	BB-	Stable	223	229
Chile	A	Stable	104	92
China	A+	Stable	72	71
Colombia	BB+	Stable	278	283
Hungary	BBB-	Stable	168	163
India	BBB-	Stable	106	103
Indonesia	BBB	Stable	92	92
Malaysia	A-	Stable	72	70
Mexico	BBB	Stable	118	116
Peru	BBB	Negative	107	110
Philippines	BBB+	Stable	90	90
Poland	A-	Stable	99	91
Saudi Arabia	A	Stable	62	63
South Africa	BB-	Stable	270	256
Thailand	BBB+	Stable	49	48
Turkiye	B	Negative	518	561
Vietnam	BB+	Stable	129	114

Foreign currency ratings. Red means speculative-grade rating, and blue means investment-grade rating. China median rating includes China, Hong Kong, Macau, and Taiwan. Data as of March 31, 2023. Sources: S&P Global Ratings Credit Research & Insights and S&P Capital IQ.

EM Rating Actions | By Debt Amount In The Past 90 Days*

Rating date	Issuer	Economy	Sector	To	From	Action type	Debt amount (mil. $)
22-Mar-23	Saudi Electric Co. (Kingdom of Saudi Arabia)	Saudi Arabia	Utility	A	A-	Upgrade	4,500
29-Mar-23	Grupo Bimbo, S.A.B. de C.V.	Mexico	Consumer products	BBB+	BBB	Upgrade	3,650
30-Mar-23	YPF S.A.	Argentina	Oil and gas exploration and production	CCC-	CCC+	Downgrade	2,900
7-Mar-23	Falabella S.A.	Chile	Retail/restaurants	BBB-	BBB	Downgrade	2,067
3-Feb-23	Oi S.A.	Brazil	Telecommunications	D	CCC-	Downgrade	1,654
30-Mar-23	Pampa Energia S.A.	Argentina	Utility	CCC-	CCC+	Downgrade	1,550
30-Jan-23	OTP Bank PLC	Hungary	Bank	BBB-	BBB	Downgrade	1,199
26-Jan-23	Sappi Ltd.	South Africa	Forest products and building materials	BB	BB-	Upgrade	1,174
21-Mar-23	Arcelik A.S.	Turkiye	Consumer products	BB	BB+	Downgrade	873
30-Mar-23	Aeropuertos Argentina 2000 S.A.	Argentina	Transportation	CCC-	CCC+	Downgrade	750
30-Mar-23	CLISA-Compania Latinoamericana de Infraestructura & Servicios S.A.	Argentina	Capital goods	CCC-	CCC	Downgrade	635
27-Jan-23	Petro Rio S.A.	Brazil	Oil and gas exploration and production	BB-	B+	Upgrade	600
31-Mar-23	PLDT Inc.	Philippines	Telecommunications	BBB	BBB+	Downgrade	600

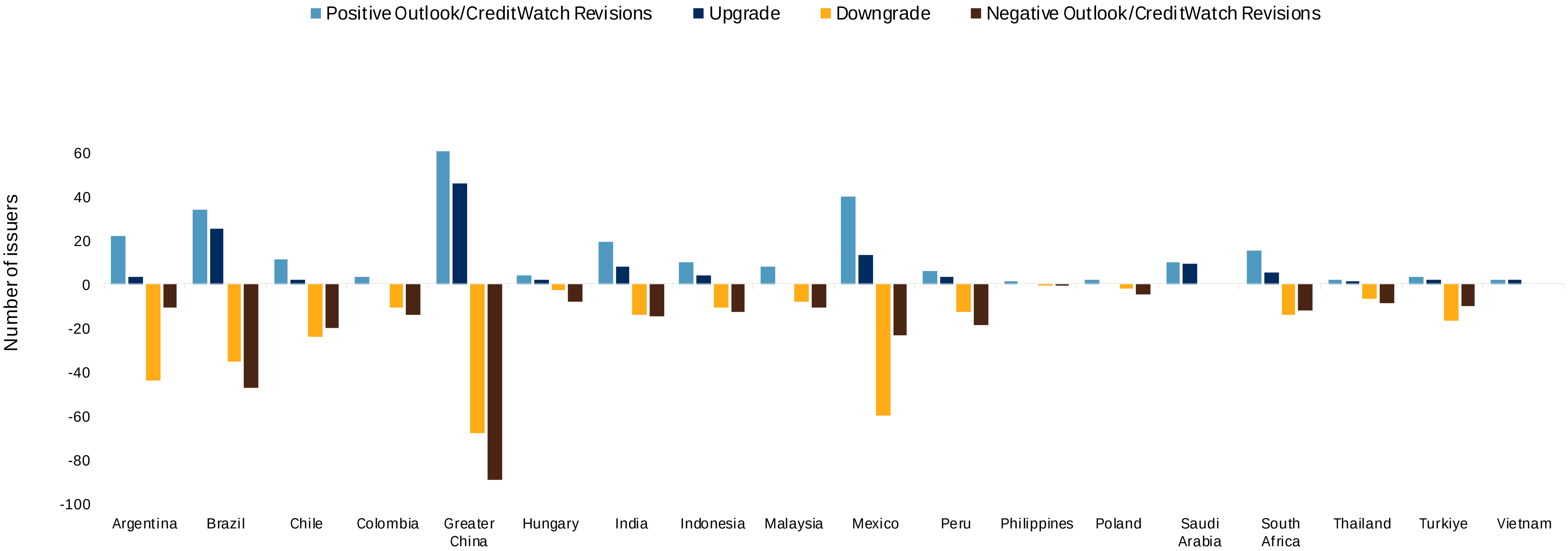
**Data as of March 31, 2023 (last 90 days), excludes sovereigns, Greater China and the Red Chip companies (issuers headquartered in Greater China but incorporated elsewhere) and includes only latest rating changes. Red means speculative-grade rating, blue means investment-grade rating, and grey - default. Source: S&P Global Ratings Credit Research & Insights.*

EM Rating Actions | By Debt Amount In The Past 90 Days*

Rating date	Issuer	Economy	Sector	To	From	Action type	Debt amount (mil. $)
30-Mar-23	Transportadora de Gas del Sur S.A. (TGS) (Compania De Inversiones de Energia S.A.)	Argentina	Utility	CCC-	CCC+	Downgrade	500
22-Mar-23	Saudi Basic Industries Corp.	Saudi Arabia	Chemicals, packaging and environmental services	A	A-	Upgrade	500
14-Mar-23	Guacolda Energia S.A.	Chile	Utility	CC	B-	Downgrade	500
30-Mar-23	Telecom Argentina S.A.	Argentina	Telecommunications	CCC-	CCC+	Downgrade	400
30-Mar-23	AES Argentina Generacion S.A (AES Corp. [The])	Argentina	Utility	CCC-	CCC+	Downgrade	300
13-Mar-23	AUNA S.A.A.	Peru	Health care	CCC+	B	Downgrade	300
28-Feb-23	Sixsigma Networks Mexico, S.A. de C.V.(KIO Networks)	Mexico	High technology	B+	B	Upgrade	300

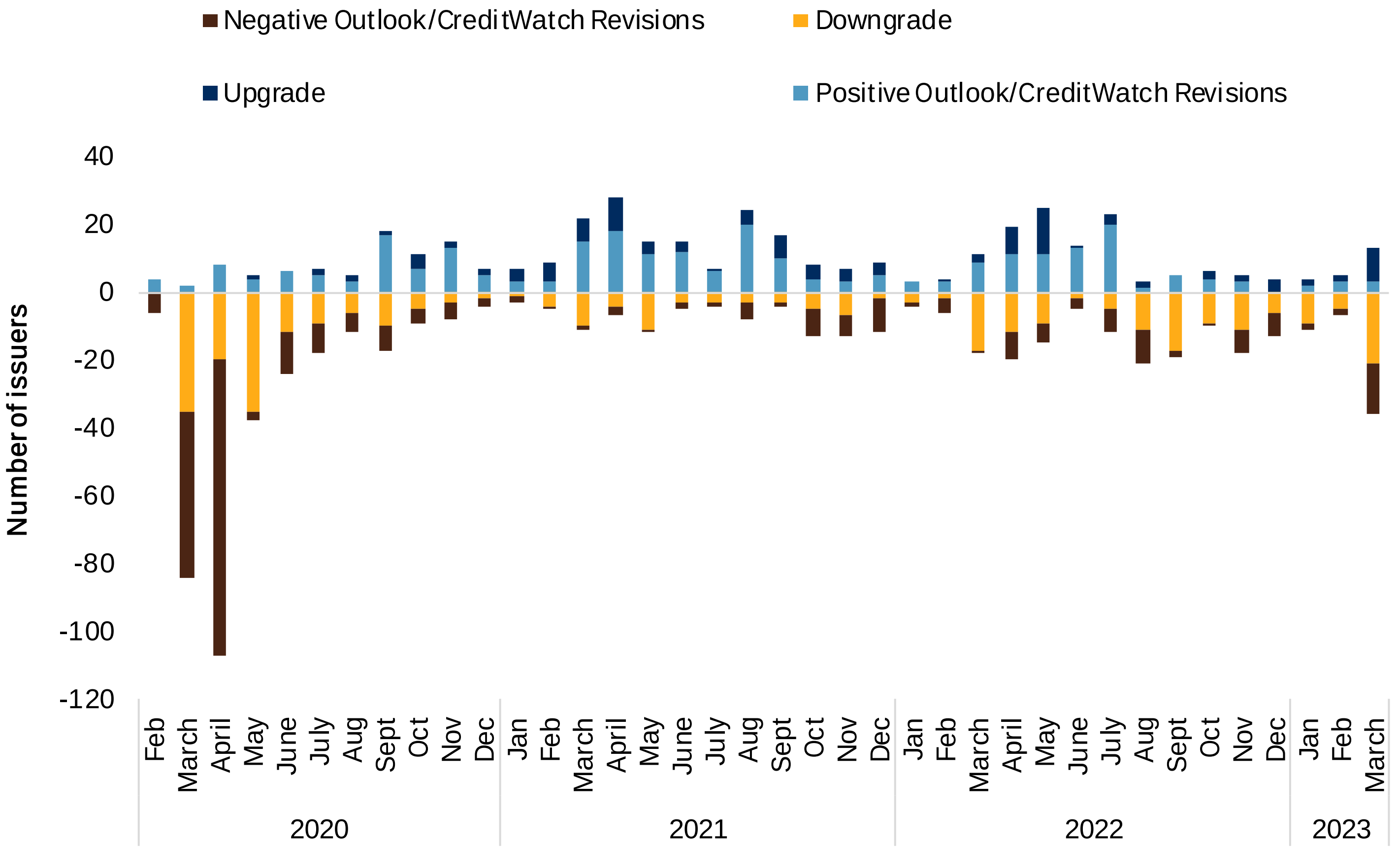
*Data as of March 31, 2023 (last 90 days), excludes sovereigns, Greater China and the Red Chip companies (issuers headquartered in Greater China but incorporated elsewhere) and includes only latest rating changes. Red means speculative-grade rating, blue means investment-grade rating, and grey - default. Source: S&P Global Ratings Credit Research & Insights.

EM | Total Rating Actions By Economy



Data includes sovereigns. Data from Feb. 3, 2020 to March 31, 2023. EMs consist of Argentina, Brazil, Chile, Greater China, Colombia, Hungary, Mexico, India, Indonesia, Malaysia, Thailand, Philippines, Poland, Peru, Vietnam, Saudi Arabia, South Africa, and Turkiye. Greater China -- China, Hong Kong, Macau, Taiwan, and Red Chip companies (issuers headquartered in Greater China but incorporated elsewhere). Source: S&P Global Ratings Credit Research & Insights.

EM | Total Rating Actions By Month

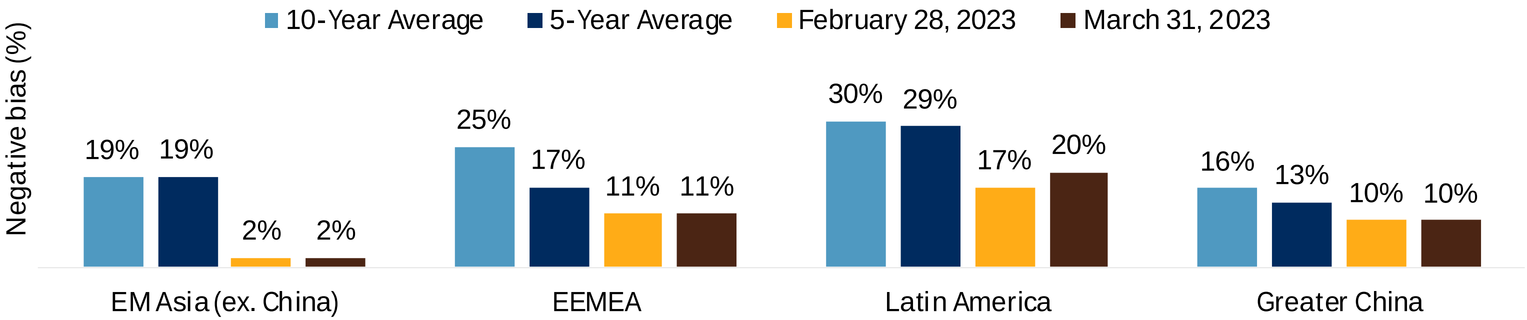


- The number of downgrades rose in March to 21 from five in February 2023. 86% of downgrades were in LatAm. Twelve downgrades were Argentine issuers, following the sovereign's downgrade on increased transfer and convertibility risks. Brazil-based Gol Linhas Aereas Inteligentes S.A. (transportation) defaulted due to a distressed debt restructuring. Liquidity pressures and higher cost of debt were at the root of most downward rating actions in March.
- There were 10 upgrades in March, up from two in February. Eight were based in Saudi Arabia, mirroring the upgrade of the sovereign to 'A' from 'A-' on significant reform momentum and economic growth prospects.

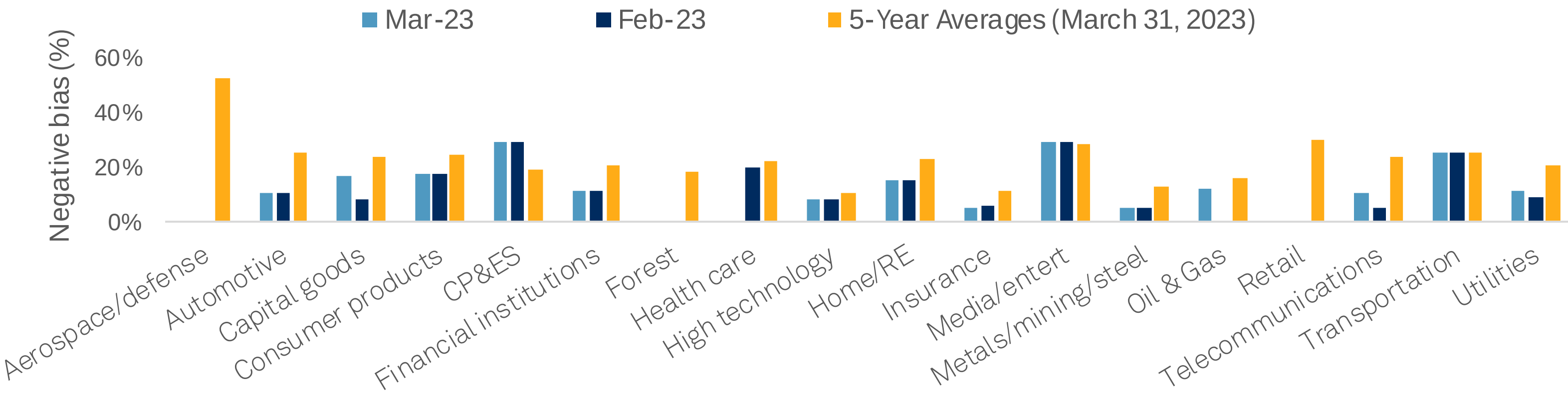
Data includes sovereigns. Data from Feb. 3, 2020 to Mar. 31, 2023. EMs consist of Argentina, Brazil, Chile, Greater China, Colombia, Hungary, Mexico, India, Indonesia, Malaysia, Thailand, Philippines, Poland, Peru, Vietnam, Saudi Arabia, South Africa, and Turkiye. Greater China --- China, Hong Kong, Macau, Taiwan and Red Chip companies (issuers headquartered in Greater China but incorporated elsewhere). Source: S&P Global Ratings Credit Research & Insights.

EM Downgrade Potential | Regional Negative Bias

LatAm has the highest downgrade potential



Negative bias by sector



- LatAm has the highest downgrade potential, with the negative bias at 20% in March, up from 17% in February, as seven Argentine issuers' outlooks were revised to negative, driven by the rating action on the sovereign. The negative outlook on the sovereign credit profile reflected the risks surrounding pronounced economic imbalances and policy uncertainties before and after the 2023 national elections. However, the downgrade potential remains well below historical averages.
- The downgrade potential remained constant in EM Asia (excluding China), Greater China, and EEMEA, with figures below historical averages.
- The negative bias increased in capital goods, oil and gas, and telecommunications as a result of several outlook changes to negative from stable in LatAm.

Data as of March 31, 2023 and include sectors with more than five issuers only; excludes sovereigns. EMs consist of LatAm: Argentina, Brazil, Chile, Colombia, Peru, and Mexico. EM Asia: India, Indonesia, Malaysia, Thailand, the Philippines, and Vietnam. EMEA: Hungary, Poland, Saudi Arabia, South Africa, and Turkiye. Greater China: China, Hong Kong, Macau, Taiwan, and Red Chip companies (issuers headquartered in Greater China but incorporated elsewhere). Media/entert -- Media and entertainment, Retail -- Retail/restaurants, CP&ES -- Chemicals, packaging and environmental services, Home/RE -- Homebuilders/real estate companies, Forest -- Forest products and building materials, Metals/mining/steel -- Metals, mining, and steel. Source: S&P Global Ratings Credit Research & Insights .

Rating Actions | Rating Changes From ‘B-’ To ‘CCC’ In 2023 YTD

One rating movement to 'CCC' from 'B-' in 2023 in EM 18 through March 31

Rating date	Issuer	Economy	Sector	To	From	Debt amount (mil. $)
14-Mar-23	Guacolda Energia S.A.	Chile	Utility	CC	B-	500

Debt volume includes subsidiaries and excludes zero debt. Red means speculative-grade rating. Data as of March 31, 2023; includes sovereigns and Greater China and Red Chip companies (issuers headquartered in Greater China but are incorporated elsewhere). Source: S&P Global Ratings Credit Research & Insights.

Rating Actions | EM Fallen Angels And Rising Stars In 2022, 2023 YTD

Three EM fallen angels in 2022; no fallen angel in 2023 YTD

Rating date	Issuer	Economy	Sector	To	From	Debt amount (mil. $)
23-Sep-22	Anadolu Efes Biracilik ve Malt Sanayii AS	Turkiye	Consumer products	BB+	BBB-	1,500
2-Sep-22	Li & Fung Ltd.	Bermuda	Consumer products	BB+	BBB-	2,250
15-Mar-22	Petroleos del Peru Petroperu S.A.	Peru	Oil and gas exploration and production	BB+	BBB-	2,000

Three EM rising stars in 2022; no rising star in 2023 YTD

Rating date	Issuer	Economy	Sector	To	From	Debt amount (mil. $)
21-Nov-22	Axis Bank Ltd.	India	Bank	BBB-	BB+	95
2-Jun-22	JBS S.A. (J&F Investimentos S.A.)	Brazil	Consumer products	BBB-	BB+	18,850
28-Apr-22	Gold Fields Ltd.	South Africa	Metals, mining and steel	BBB-	BB+	1,000

Debt volume includes subsidiaries and excludes zero debt. Red means speculative-grade rating and blue means investment-grade rating. Data as of March 31, 2023; includes sovereigns and Greater China and Red Chip companies (issuers headquartered in China but incorporated elsewhere). Source: S&P Global Ratings Credit Research & Insights.

Rating Actions | List Of Defaulters In 2023

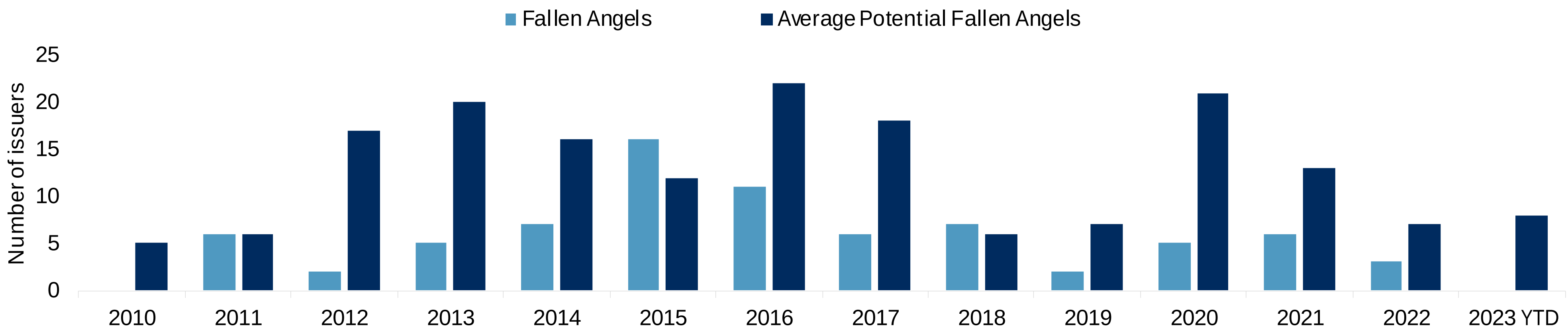
Rating date	Issuer	Economy	Sector	To	From	Debt amount (mil. $)
6-Jan-23	The Republic of Argentina*	Argentina	Sovereign	SD	CCC-	153,221
16-Jan-23	Americanas S.A. (Lojas Americanas S.A.)	Brazil	Retail/restaurants	D	B	1,000
20-Jan-23	Mexarrend, S.A.P.I. de C.V.	Mexico	Financial institution	D	CC	300
3-Feb-23	Oi S.A.	Brazil	Telecommunications	D	CCC-	1,654
9-Mar-23	Republic of Argentina*	Argentina	Sovereign	SD	CCC-	153,048
14-Mar-23	Gol Linhas Aereas Inteligentes S.A.	Brazil	Transportation	SD	CC	-

*Data as of March 31, 2023. Includes both rated and zero debt defaults. Includes sovereigns, Greater China, and Red Chip companies (issuers headquartered in China but incorporated elsewhere). Red means speculative-grade rating, and grey means default (D) or selective default (SD). *Republic of Argentina default refers to its local currency long-term Rating.*

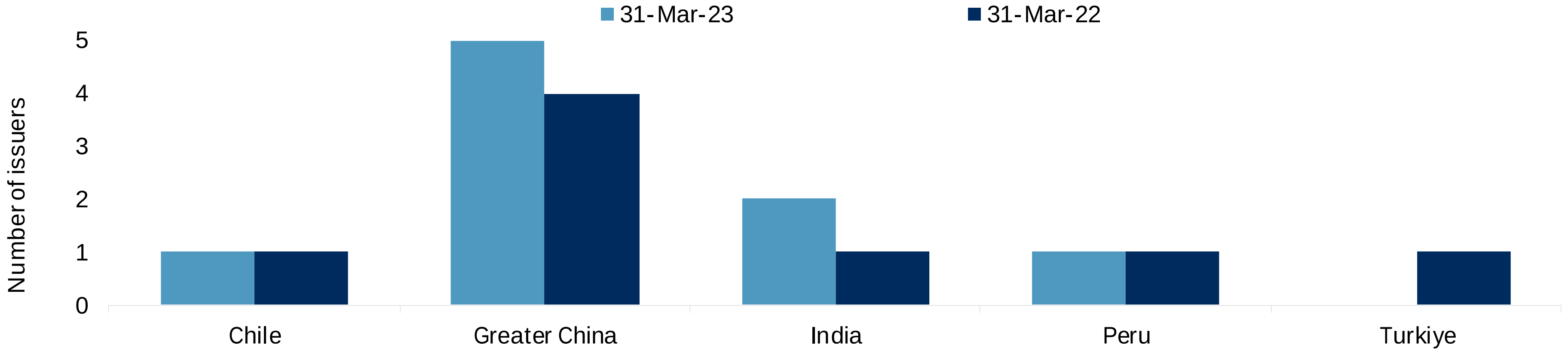
Sources: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®.

Rating Actions | Fallen Angels And Potential Fallen Angels

No fallen angel in 2023 YTD, while potential fallen angels trending up



Majority (55%) of issuers are from Greater China

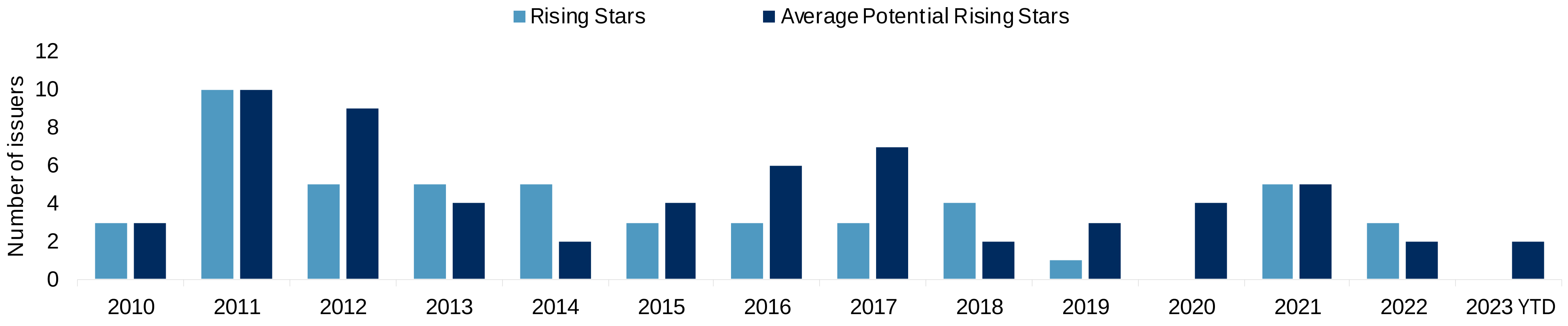


Data as of March 31, 2023. Greater China -- China, Hong Kong, Macau, Taiwan, and Red Chip companies (issuers headquartered in China but incorporated elsewhere). Source: S&P Global Ratings Credit Research & Insights.

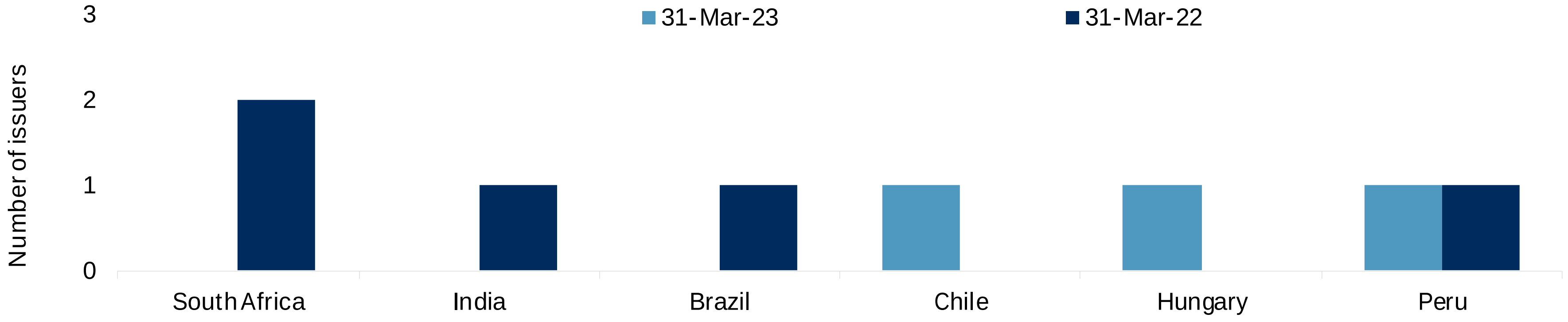
S&P Global Ratings

Rating Actions | Rising Stars And Potential Rising Stars

No rising stars in 2023 YTD



EM potential rising stars

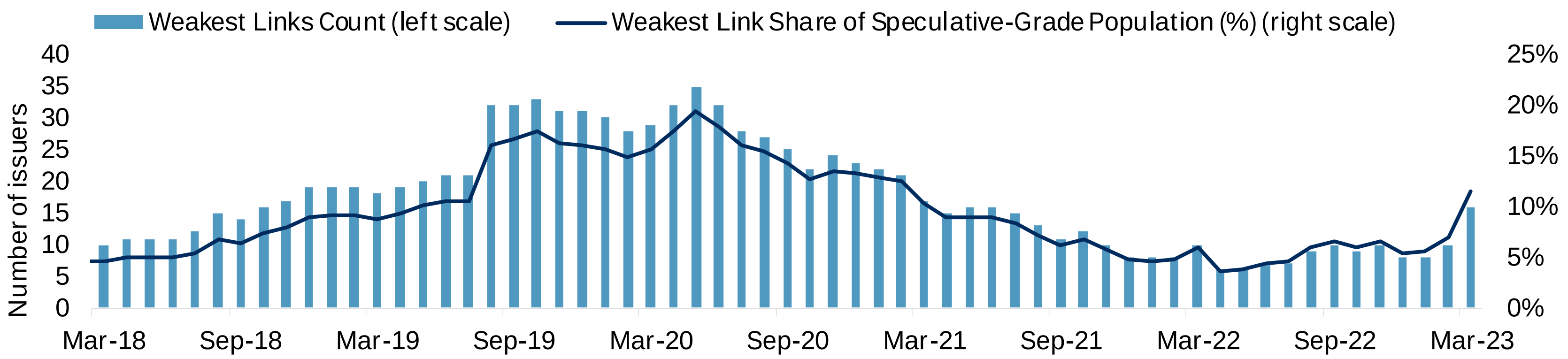


Data as of March 31, 2023. Greater China -- China, Hong Kong, Macau, Taiwan, and Red Chip companies.(issuers headquartered in China but incorporated elsewhere). Source: S&P Global Ratings Credit Research & Insights.

S&P Global Ratings

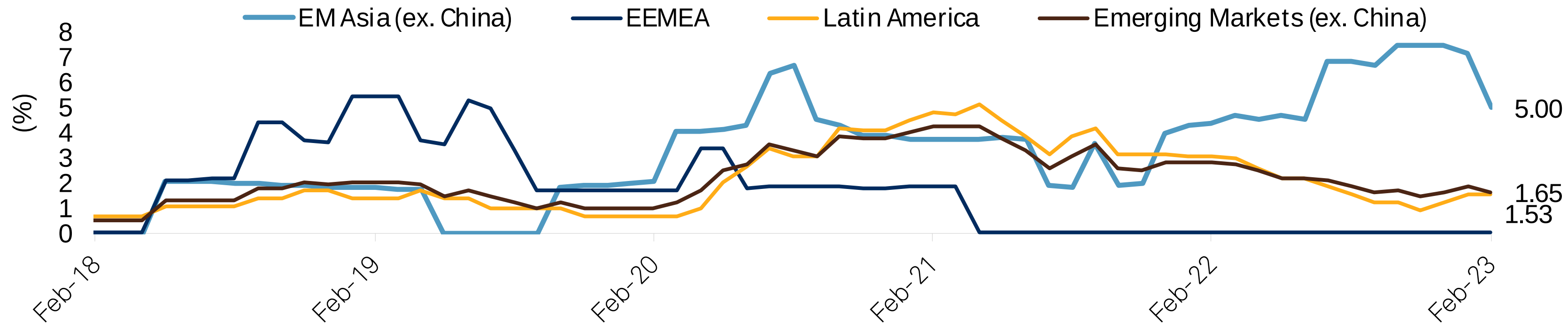
Rating Actions | Weakest Links And Defaults

EM weakest links At 16 in March



Data as of March 31, 2023. Parent only. Weakest links are defined as issuers rated 'B–' or lower with negative outlooks or ratings on CreditWatch with negative implications. Source: S&P Global Ratings Credit Research & Insights.

Default rate rise this month (as of February 2023)



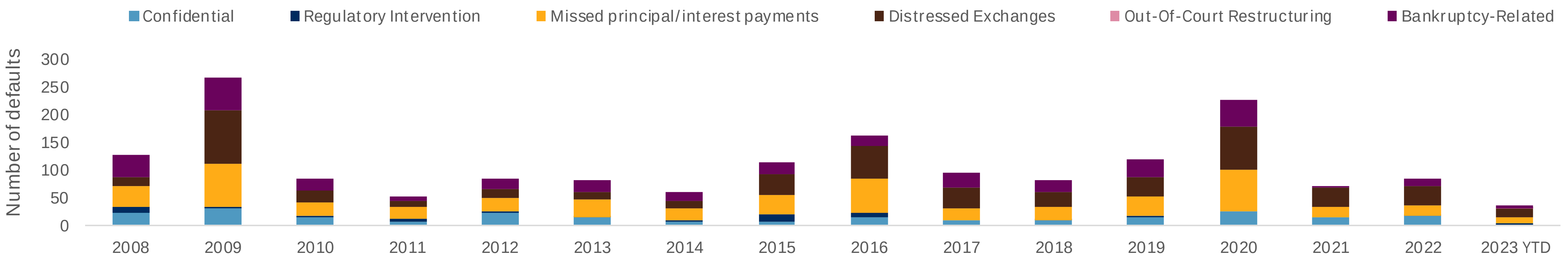
Excluding China. CreditPro data as of Feb. 28, 2023. Default rates are trailing 12-month speculative-grade default count divided by trailing 12-month speculative-grade issuer count. Sources: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®.

– Weakest links. EM weakest links rose to 16 issuers in March (11% of total speculative-grade issuers) from 10 in February, with the addition of exclusively Argentinian issuers, mostly utilities, and oil and gas companies.

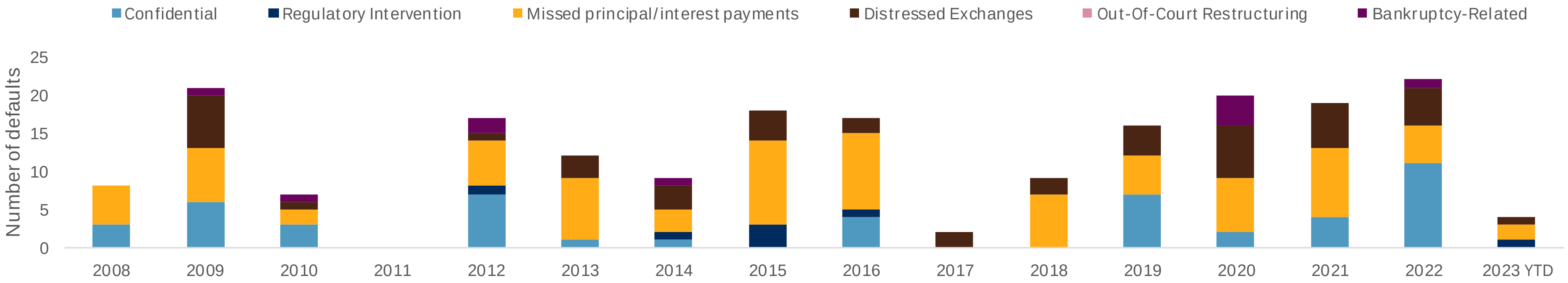
– Default rates. The February default rate was relatively stable across regions as a trailing count. However, recent actions point to all EM defaults occurring in LatAm in 2023 as of March.

Rating Actions | Defaults

Year-end global corporate defaults by reason



Year-end EM 18 corporate defaults by reason



**Data as of March 31, 2023. Data has been updated to reflect confidential issuers. Excludes sovereigns, includes Greater China, and Red Chip companies (issuers headquartered in China but incorporated elsewhere).*
Sources: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®.

Related Research

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EMs | Related Research

- Emerging Markets Credit Ratings: Strength and Struggles Amid Global Shocks, April 17, 2023
- For Mexico, Nearshoring's Potential Benefits And Obstacles Are Significant, April 4, 2023
- Global Credit Conditions Q2 2023: Balancing Resilience And Turbulence, March 30, 2023
- Economic Outlook Emerging Markets Q2 2023: Global Crosscurrents Make For A Bumpy Deceleration, March 27, 2023
- Credit Conditions Emerging Markets Q2 2023 Enduring Risks, March 30, 2023
- China Rebound Steadies Asia-Pacific Sector Outlooks, Says Report, March 30, 2023
- Regional Refinancing: Overhang Of Pandemic-Era Debt And Higher Interest Rates Present Regional Challenges, March 24, 2023
- Credit Stress Looms In Latin America As Financing Costs Surge, March 22, 2023
- Credit Conditions Asia-Pacific Special Update: Why Asia-Pacific Banks Are Shielded From Current Turmoil, March 22 , 2023
- Global Debt Leverage: Is a Great Reset Coming?, March 20, 2023
- Emerging Markets Monthly Highlights: Diverging Trends Are Underway, March 15, 2023
- Emerging Markets Issuance Faces Another Lackluster Year, Feb. 23, 2023
- Emerging Markets Monthly Highlights: Strong Start To The Year For Sovereign Issuance, Feb. 15, 2023
- Domestic Savings Won't Prop Up Central And Eastern European Economies In 2023, Feb. 2, 2023

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